United States
Office of
Personnel Management

Washington, D.C. 20415

In Reply Refer To

Your Reference

Honorable George Bush
President of the Senate
Washington, D.C 20510

Dear Mr. President:

The Office of Personnel Management submits herewith a legislative proposal, "To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes." This proposal would implement recommendations contained in the President's budget for fiscal year 1986. We request that you refer this proposal to the appropriate committee for early consideration.

At present, the Civil Service Retirement System is extremely expensive, having a dynamic normal cost of approximately 34.9 percent of payroll, which is considerably more than private sector pension plans cost. Furthermore, the System has a massive unfunded liability of $528.1 billion as of September 30, 1983--more than a half trillion dollars in debt. Even ignoring the unfunded liability resulting from future pay raises and future cost-of-living adjustments, the unfunded liability (the so-called "static" unfunded liability) was $187.9 billion in 1983.

In order to deal with the excessive cost of the Civil Service Retirement System, and its huge debt, and in order to bring its benefits more into line with private sector pension plans, this draft bill would make several changes in the System, while preserving an adequate level of retirement income for Federal employees.

Under the proposal, the determination of an individual's average pay for the purpose of computing retirement benefits would use the highest earnings over a five-year period, rather than three years as at present. This change would not take effect until October 1, 1988, and would not affect anyone eligible to retire by that date.

Although no change would be made in the age at which individuals may retire, a reduction in benefits for retirement before age 65 would be phased into the program. Currently, unreduced benefits are available to individuals with thirty years of service who retire as early as age 55. This change would not affect anyone who reaches age 55 by October 1, 1985.

The current practice of counting unused sick leave as service for annuity computation purposes would be discontinued. Credit would be gradually phased out over a four-year period beginning in October 1985.

Several changes would be made with respect to cost-of-living adjustments (COLA's) in Civil Service Retirement annuities. First, the adjustment scheduled for December 1985 would not take effect. Then, beginning with the December 1986 COLA, full COLA's would be applied only to the first $10,000 of annuity (increased in subsequent years by the COLA percentage for the preceding year), with any annuity over that base amount being adjusted by 55 percent of the COLA. Adjustments would be based on the lesser of (1) the General Schedule pay increase effective in the same fiscal year or (2) the change in the Consumer Price Index (CPI). With the exception of the elimination of the December 1985 COLA, these COLA changes are not intended to affect military retirees, and a provision in the bill would exclude military retired and retainer pay from application of the changes in the COLA methodology in future years.

Eligibility rules for surviving spouses, former spouses, and individuals named as having an insurable interest in the employee or Member would be changed to parallel more closely the treatment of similarly situated survivor beneficiaries under the Social Security System. Benefits would not be payable for any month during any portion of which the widow, widower, former spouse, or insurable interest designee has not reached age 60, has not attained age 50 if disabled, or does not have in his or her care a surviving child of the employee, Member, or annuitant.

Further changes would be the phasing out of survivor benefits for post-secondary students and the elimination of the minimum annuity for future beneficiaries. These changes would be consistent with changes made in the Social Security System several years ago.

Employees of the government of the District of Columbia hired on or after October 1, 1985, would be excluded from the Civil Service Retirement System, the Federal Employees' Group Life Insurance Program, and the Federal Employees Health Benefits Program. In view of the District's authority under home rule to manage its affairs with less dependence on the Federal Government, it is no longer appropriate for District employees to be carried under the benefit programs for Federal employees.

In addition, the proposal would require the United States Postal Service and the District of Columbia government to contribute to the Civil Service Retirement and Disability Fund an additional 2 percent of basic pay each year until their payments, when combined with employee deductions, are sufficient to cover the dynamic normal cost of the Retirement System.

The proposal would also authorize the Secretary of the Treasury to implement procedures within 24 months of enactment to permit identification of Civil Service Retirement benefit checks that have not been presented for payment within 6 months, and would authorize annual appropriations to the Fund for future benefit checks remaining uncashed after 6 months. Currently, money drawn from the Fund for Civil Service Retirement checks is not returned when checks are not negotiated.

We estimate that the proposed changes in Civil Service Retirement would produce the following net savings for the unified budget:

Fiscal Year 1986	$ 883 million
Fiscal Year 1987	1,803 million
Fiscal Year 1988	2,613 million
Fiscal Year 1989	3,627 million
Fiscal Year 1990	4,699 million
1986-90 total	$13,625 million

We believe this proposal is particularly significant in that it clearly demonstrates this Administration's commitment to sound management by eliminating unwarranted expenditures, obtaining funds from appropriate sources, and restoring Federal workers and retirees to a position which is more consistent with that enjoyed by other individuals throughout our economy.

The Office of Management and Budget advises that enactment of this proposal would be in accord with the program of the President.

A similar letter is being sent to the Speaker of the House of Representatives.

Sincerely,

Donald J. Devine
Director

Enclosures

STATEMENT OF PURPOSE AND JUSTIFICATION

To accompany a draft bill

"To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes."

At present, the Civil Service Retirement System is extremely expensive, having a dynamic normal cost of approximately 34.9 percent of payroll, which is considerably more than private sector pension plans cost. Furthermore, the System has a massive unfunded liability of $528.1 billion as of September 30, 1983--more than a half trillion dollars in debt. Even ignoring the unfunded liability resulting from future pay raises and future cost-of-living adjustments, the unfunded liability (the so-called "static unfunded liability") was $187.9 billion in 1983.

In order to deal with the excessive cost of the Civil Service Retirement System, and its huge debt, and in order to bring its benefits more into line with private sector pension plans, this draft bill would make several changes in the System, while preserving an adequate level of retirement income for Federal employees.

"High-Five-Year" Average Salary

Since 1969, Civil Service annuities have been computed based on each employee's highest average annual earnings during 3 consecutive years. Before 1969, a "high-five-year" rather than a "high-three-year" average salary was used. This bill would return to the "high-five-year" salary. This change would not apply to anyone who is eligible to retire on or before October 1, 1988, when the provision would become effective.

Reduction in Annuities Payable Before Age 65

Currently, employees may retire voluntarily at age 55 after 30 years of service, at age 60 after 20 years of service, or at age 62 after 5 years of service. This bill would not change the ages at which employees become eligible to retire, but it would phase in over 10 years a reduction in benefits for individuals who retire before age 65, which is the normal retirement age in the private sector. For those who are age 54 at the time of enactment, the reduction would be 0.5 percent for each year they are under age 65 at the time of retirement. This factor would rise gradually with respect to younger individuals until it reached 5 percent for individuals who are 45 years old on the date of enactment. Those who are 55 or older on October 1, 1985, would have no reduction in their annuities. The reduction would not apply to law enforcement officers, firefighters, or other special groups (?) The reduction would strongly motivate individuals to work beyond the date of their earliest retirement eligibility and would require those who do

retire early to bear a more reasonable portion of the high cost of early retirements.

Deferred annuities would begin when the applications are received, rather than at age 62, for individuals who delay filing their applications. This change is needed because it would be unreasonable to continue to require deferred annuities to begin at age 62 while penalizing deferred annuitants for drawing benefits before age 65.

In the case of involuntary or early voluntary retirement, the Office of Personnel Management would be authorized to waive the reduction in the best interests of the Government. If the waiver is authorized, the former employing agency would be required to contribute to the Fund the amount needed to offset the cost of the waiver, unless OPM decided such contribution was inappropriate.

Service Credit for Unused Sick Leave

Currently, sick leave remaining to an employee's credit at the time of retirement is counted as additional service to be used in computing the employee's annuity. This expensive and unwarranted benefit would be phased out over a four-year period.

Limit on Cost-of-Living Adjustments

Under 5 U.S.C. 8340, an annual cost-of-living adjustment (COLA) is effective on December 1 of each year (and is first paid in the annuity checks issued at the beginning of January), based on the rise in the Consumer Price Index (CPI) between the third quarter of that calendar year and the third quarter of the preceding calendar year. Under this proposal, the adjustment scheduled for December 1985 would not take effect. Then, beginning with the December 1986 adjustment, in lieu of using the CPI alone, the COLA amount would be the lesser of the increase in General Schedule pay or the third-quarter-to-third-quarter CPI change.

In addition, the full COLA would be payable on the first $10,000 of annuity, with any excess being adjusted by 55 percent of the COLA. The $10,000 base amount to which the full increase applies would be adjusted, beginning in 1987, by the amount of the previous year's COLA.

These proposed changes are designed to curb the excessive growth in annuities that has resulted from the compounding of COLA's over the years, causing many annuitants to receive retirement benefits that are disproportionate to the compensation of current Federal employees.

These changes would also apply to certain other retirement systems for Government employees, such as the Foreign Service Retirement System, under which COLA's are linked to Civil Service Retirement COLA's. Except for the elimination of the December 1985 COLA, these changes would not apply to military retired and retainer pay COLA's.

Survivor Benefits for Widows, Widowers, and Insurable Interest Designees

Benefits are currently payable to widows or widowers of deceased employees, Members, or annuitants, or the persons named as having an insurable interest in deceased annuitants, generally without regard to age, health, or family status. This differs markedly from the private sector where individuals are covered by Social Security under which such factors are significant in determining eligibility for survivor benefits. Accordingly, this proposal would bring the Retirement System more nearly into line with Social Security by providing that survivor benefits would not be payable for any month during any portion of which the widow, widower, or insurable interest designee has not attained age 60, has not reached age 50 if disabled, or does not have in his or her care a surviving child of the employee, Member, or annuitant.

Survivor Benefits for Adult Students

Survivor benefits which are now payable to young adults between ages 18 and 22 who are full-time students in post-secondary schools would be eliminated by the proposal. These changes are designed to eliminate from the retirement program the responsibility for providing post-secondary educational assistance, in view of other programs that provide such assistance, and are prompted by similar changes made to the Social Security program by the Omnibus Budget Reconciliation Act of 1981. Future recipients would be allowed to continue benefits beyond age 18 only until the earlier of completion of secondary school or attainment of age 19. Current recipients would be permitted to continue under the program until they reach age 22 or leave school, whichever comes first.

Elimination of Minimum Annuity

Under current law, a minimum annuity equal to the now-eliminated minimum Social Security benefit is paid to any annuitant whose annuity would otherwise be less than that and who is not receiving any other Federal retirement benefit, including Social Security, military retired pay or survivor's benefits, or veterans' compensation, which exceeds the Social Security minimum. The minimum annuity provision was incorporated in the Civil Service Retirement System to parallel the Social Security benefit. With the elimination in 1981 of the minimum Social Security benefit for new recipients, there is no justification for the continuation of the minimum annuity provision in the Civil Service Retirement System. This proposal would eliminate the benefit for individuals whose annuities commence after enactment. Low annuities under the retirement program generally reflect brief service, and the recipients would not generally be dependent solely on Civil Service Retirement benefits for support.

Exclusion of D.C. Government Employees

Currently, employees of the government of the District of Columbia are covered by the Civil Service Retirement System, the Federal Employees' Group Life Insurance Program, and the Federal Employees Health Benefits

Program. Consistent with the concept of home rule for the District of Columbia, individuals hired by the government of the District of Columbia after September 30, 1985, would be excluded from the Federal retirement, life insurance, and health benefits programs.

Contribution Rates for Postal Service and D.C. Government

The rates at which agencies contribute to the Retirement Fund currently parallel the rates paid by employees. This is true even for off-budget entities such as the Postal Service and the D.C. government. Under this proposal, these two entities would be charged the difference between the dynamic normal cost of the Retirement System and the employee contribution rate, thus ending a substantial, hidden Federal subsidy to these entities. This change would be phased in by adding 2 percent each year to the agency contribution rate until the correct contribution rate is reached.

Uncashed Checks

Under current law, money which is transferred from the Retirement Fund to the general fund of the Treasury to cover benefit checks is never returned to the Retirement Fund when checks that the Treasury has issued are not cashed. This results from the absence of a cutoff point for stopping payment on unnegotiated checks. This proposal would require the Secretary of the Treasury to implement procedures for identifying checks which are uncashed after six months following their issuance and to recredit the Retirement Fund with the amount of such checks, including interest. The Secretary would also be required to determine, in consultation with the Office of Personnel Management, the total amount of all existing uncashed checks and to reimburse the Retirement Fund over a 31-month period in that amount, plus interest. These provisions would parallel similar provisions concerning uncashed benefit checks under the Social Security System.

A BILL

To amend title 5, United States Code, to reform the Civil Service Retirement System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Civil Service Retirement Reform Act of 1985".

Sec. 2. Chapter 83 of title 5, United States Code, is amended--

(1) in section 8331--

(A) by repealing paragraph (1)(G);

(B) by repealing paragraph (1)(iv);

(C) in paragraph (4) by striking out "3" both times it appears and inserting in lieu thereof "5";

(D) in paragraph (7) by striking out ", the government of the District of Columbia,"; and

(E) in paragraph (20)--

(i) in subparagraph (B) by inserting "and" after the semicolon at the end thereof;

(ii) in subparagraph (C) by striking out "and" after the semicolon at the end thereof; and

(iii) by repealing subparagraph (D);

(2) by repealing section 8332(b)(9);

(3) in section 8334(g)--

(A) in paragraph (4) by inserting "or" after the semicolon at the end thereof; and

(B) by repealing paragraph (5);

(4) in section 8338(a) by inserting before the period at the end thereof the following: "or on receipt of an application, whichever is later";

(5) in section 8339--

(A) in subsection (f) by striking out "(o)" and inserting in lieu thereof "(n)";

(B) in subsection (h) by redesignating that subsection as subsection (h)(1) and by adding at the end thereof the following:

"(2)(A) Except as provided in subparagraph (B) of this paragraph, the annuity computed under subsection (a) of this section for an individual retiring under section 8336(a), (b), (d), (f), or (h) of this title who is under age 65 on the date of separation, or for an individual retiring under section 8338(a) of this title who is under age 65 on the commencing date of annuity, is reduced as follows:

"Age of employee on October 1, 1985 -	Percentage reduction per year or part thereof, not in excess of 10 years, under age 65
55 or over	0.0
54	0.5
53	1.0
52	1.5
51	2.0
50	2.5
49	3.0
48	3.5
47	4.0
46	4.5
45 or under	5.0

"(B) If the Office of Personnel Management determines that the reduction otherwise required by subparagraph (A) of this paragraph would be contrary to the best interests of the Government in the case

of any separation, or category of separations, described in section 8336(d) of this title, the Office may waive the reduction. The former employing agency of any employee for whom the reduction was waived shall remit to the Office, for deposit in the Treasury of the United States to the credit of the Fund, a payment determined by the Office to be necessary to offset the cost to the Fund of such waiver, unless the Office determines that such payment by the former employing agency would be contrary to the best interests of the service.";

(C) in subsections (k) and (l) by striking out "(o)" and inserting in lieu thereof "(n)"; and

(D) by repealing subsection (m);

(6) by amending section 8340(b) to read as follows:

"(b)(1) Except as provided in paragraph (2) of this subsection and subsections (c) and (g) of this section, effective December 1 of each year, each annuity having a commencing date not later than such December 1 shall be increased by the lesser of—

"(A) the overall average percentage (as set forth in the report transmitted to Congress under section 5305 of this title) of the adjustment in the rates of pay of the General Schedule taking effect in the same fiscal year, adjusted to the nearest 1/10 of 1 percent (or zero, if no such adjustment is taking effect); or

"(B) the percent change in the price index for the base quarter of that year over the price index for the base quarter of the preceding year, adjusted to the nearest 1/10 of 1 percent.

"(2)(A) In the case of an annuity payable from the Fund which exceeds the base amount determined under subparagraph (B) of this paragraph, only

that portion of the annuity which does not exceed the base amount shall be increased by the percentage determined under paragraph (1) of this subsection, and any portion of the annuity which exceeds the base amount shall be increased by 55 percent of the percentage determined under paragraph (1) of this subsection.

"(B) For the purpose of this paragraph, the base amount shall be--

"(i) in calendar year 1986, $10,000; and

"(ii) in each subsequent calendar year, the base amount for the preceding calendar year, increased by the percentage determined under paragraph (1) of this subsection for the adjustment taking effect on December 1 of such preceding calendar year, and rounded to the next lowest dollar.";

(7) in section 8341--

(A) in subsection (a)(4)--

(i) by amending subparagraph (C) to read as follows:

"(C) such unmarried dependent child between 18 and 19 years of age who is a full-time elementary or secondary school student.";

(ii) by amending the next to the last sentence to read as follows:

"For the purpose of this paragraph and subsection (e) of this section, the benefits of a child who is entitled solely under subparagraph (C) of this paragraph to benefits under this section terminate at the end of the month in which he ceases to be a full-time elementary or secondary school student, or the end of the month prior to the month in which he attains

age 19, whichever is earlier."; and

(iii) in the last sentence by striking out "5" and inserting in lieu thereof "4";

(B) in subsection (e)(2)--

(i) in the first sentence by striking out "(a)(3)" and inserting in lieu thereof "(a)(4)"; and

(ii) in subparagraph (C) by striking out "22" and inserting in lieu thereof "19"; and

(C) by adding at the end thereof the following new subsection:

"(k)(1) Notwithstanding any other provision of law, no benefits may be paid under this section to any widow, widower, former spouse, or survivor named under section 8339(k)(1) of this title, of any employee, Member, or annuitant, for any month during any portion of which the widow, widower, former spouse, or survivor named under section 8339(k)(1) of this title--

"(A) has not attained age 60;

"(B) if disabled (as defined in section 223(d) of the Social Security Act of 1935, as amended), has not attained age 50; or

"(C) does not have in his or her care a child (as defined in subsection (a)(4) of this section) of the employee, Member, or annuitant.

"(2) Benefits paid under this section after a period in which benefits were not paid by reason of this subsection are computed as though that period of non-payment had not occurred.";

(8) in section 8345--

(A) in subsection (b)--

(i) in paragraph (2)(A) by striking out "and" at the end thereof;

(ii) in paragraph (2)(B) by inserting "and" after the semicolon,

(iii) by inserting after paragraph (2)(B) the following new subparagraph:

"(C) an employee or Member retiring in the first 3 days of any month;"; and

(iv) by adding at the end thereof the following new paragraph:

"(3) The annuity of an employee retiring under section 8338(a) of this title shall commence on the first day of the month following the later of age 62 or receipt of an application by the Office of Personnel Management."; and

(B) by repealing subsection (f);

(9) by repealing section 8347(h); and

(10) in section 8348--

(A) in subsection (h)(1) by inserting before "authorizes" the following: ", prior to October 1, 1985,"; and

(B) by adding at the end thereof the following new subsections:

"(j) The United States Postal Service and the District of Columbia government shall each contribute to the Fund a sum to be determined by applying to the total basic pay (as defined in section 8331(3) of this title) paid to its employees who are covered by the Civil Service Retirement System the percentage rate determined annually by the Office to be the excess of the total normal cost percent-

age rate for that System (including the effects of future increases in pay and future cost-of-living adjustments) over the employee deduction rate specified in section 8334(a) of this title.

"(k)(1) The Secretary of the Treasury shall implement procedures to permit the identification of each check issued for benefits under this subchapter that has not been presented for payment by the close of the sixth month following the month of its issuance.

"(2) The Secretary of the Treasury shall, on a monthly basis, credit to the Fund, out of any money in the Treasury of the United States not otherwise appropriated, the amount of all benefit checks (including interest thereon) drawn on the Fund more than 6 months previously but not presented for payment and not previously credited to the Fund.

"(3) If a benefit check is presented for payment to the Treasury and the amount thereof has previously been credited to the Fund, the Secretary of the Treasury shall nevertheless pay such check, if otherwise proper, recharge the Fund, and notify the Office.

"(4) A benefit check bearing a current date may be issued to an individual who did not negotiate the original benefit check and who surrenders such check for cancellation if the Secretary of the Treasury determines such cancellation necessary to effect proper payment of benefits.".

Sec. 3. Chapter 87 of title 5, United States Code, is amended--

(1) by repealing section 8701(a)(5); and

(2) in section 8716(b)--

(A) in paragraph (1) by inserting "or" at the end thereof;

(B) by striking out paragraph (2); and

(C) by redesignating paragraph (3) as paragraph (2).

Sec. 4. Chapter 89 of title 5, United States Code, is amended--

(1) in section 8901--

(A) by repealing paragraph (1)(E); and

(B) in paragraph (2) by striking out "and the government of the District of Columbia"; and

(2) in section 8913(b)--

(A) in paragraph (1) by inserting "or" at the end thereof;

(B) by striking out paragraph (2); and

(C) by redesignating paragraph (3) as paragraph (2).

Sec. 5. (a) Except as otherwise provided by this section, the amendments made by section 2 of this Act shall take effect on the date of enactment of this Act.

(b) The amendments made by section 2(1)(C) of this Act shall take effect on October 1, 1988, and shall apply only to individuals who first become eligible for immediate retirement under chapter 83 of title 5, United States Code, on or after that date.

(c) Notwithstanding section 8340 of title 5, United States Code, as amended by section 2(6) of this Act, no cost-of-living adjustment of annuities may take effect during fiscal year 1986.

(d) Notwithstanding the amendments made by section 2(7) of this Act, an annuity being paid on the date of enactment of this Act to an individual described in section 8341(a)(4)(C) of this title, as that section existed prior to the enactment of this Act, who was attending school on that date, shall be continued without regard to those amendments until the individual

reaches age 22 or first ceases to be a student.

(e) No annuity being paid on the date of enactment of this Act may be reduced below the rate in effect on that date by reason of the amendment made by section 2(8)(B) of this Act, or by reason of the manner in which section 8345(f) of title 5, United States Code, was applied by the Office of Personnel Management prior to such date, and collection of any overpayments made by reason of the Office's application of section 8345(f) prior to such date is hereby barred.

(f)(1) The amendments made by sections 2(1)(A)-(B), 2(1)(D)-(E), 2(2), 2(9), 3, and 4 of this Act shall take effect on October 1, 1985, and shall apply to service performed on or after that date.

(2) Notwithstanding paragraph (1) of this subsection, in the case of any individual who is employed by the government of the District of Columbia on September 30, 1985, and whose employment is subject to subchapter III of chapter 83, chapter 87, or chapter 89 of title 5, United States Code, the provisions of such subchapter or chapters shall continue to apply as if the amendments enumerated in paragraph (1) of this subsection had not been enacted so long as such individual is continuously employed by the government of the District of Columbia. For the purpose of this paragraph, an individual who leaves such employment with the government of the District of Columbia for 365 consecutive days or less, or an individual who leaves such employment to perform full-time military service (including service in the National Guard or Reserve Forces of the United States) for a period exceeding 365 consecutive days and who exercises reemployment rights under chapter 43 of title 38, United States Code, shall be considered to be continuously employed by the government of the District of Columbia during

the break in service, regardless of whether such break in service begins before, on, or after September 30, 1985.

(g) Notwithstanding the repeal of section 8339(m) of title 5, United States Code, by section 2(5)(D) of the Act, the annuity of any individual who is eligible to retire on an immediate annuity before October 1, 1989, and who would have received a greater annuity by reason of section 8339(m) had it not been repealed shall be computed including in the total service of the employee--

(1) 100 percent of the amount of unused sick leave, in the case of an individual who is eligible to retire on an immediate annuity before October 1, 1985;

(2) 80 percent of the amount of unused sick leave, in the case of an individual who is eligible to retire on an immediate annuity after September 30, 1985, but before October 1, 1986;

(3) 60 percent of the amount of unused sick leave, in the case of an individual who is eligible to retire on an immediate annuity after September 30, 1986, but before October 1, 1987;

(4) 40 percent of the amount of unused sick leave, in the case of an individual who is eligible to retire on an immediate annuity after September 30, 1987, but before October 1, 1988; or

(5) 20 percent of the amount of unused sick leave, in the case of an individual who is eligible to retire on an immediate annuity after September 30, 1988, but before October 1, 1989.

(h) Notwithstanding the amendments made to section 8340(b) of title 5, United States Code, by section 2(6) of this Act, the amount of any adjustment in military retired and retainer pay that is determined under section

1401a of title 10, United States Code, by reference to section 8340(b) shall be determined as if such amendments had not been enacted.

(i) Notwithstanding the provisions of section 8348(j) of title 5, United States Code, as added by section 2(10)(B) of this Act, in the fiscal year beginning on October 1, 1985, the United States Postal Service and the District of Columbia government shall each contribute to the Fund a sum to be determined by applying to the total basic pay (as defined in section 8331(3) of title 5, United States Code) paid to its employees the employee deduction rate specified in section 8334(a) of title 5, United States Code, plus 2 percent. In each succeeding fiscal year, the rate shall be increased by an additional 2 percent, or such lesser amount as is necessary, until it equals the rate determined annually by the Office of Personnel Management under such section 8348(j).

(j) The provisions of section 8348(k) of title 5, United States Code, as added by section 2(10)(B) of this Act, shall apply with respect to all checks for benefits under the Civil Service Retirement System which are issued on or after the first day of the twenty-fourth month following the month in which this Act is enacted.

(k) The Secretary of the Treasury shall transfer to the Civil Service Retirement and Disability Fund, out any money in the Treasury of the United States not otherwise appropriated, in the month following the month in which this Act is enacted and in each of the succeeding 30 months, such sums as may be necessary to reimburse the Fund for the total amount of all checks (including interest thereon) which he and the Office jointly determine to be unnegotiated benefit checks. After any amounts authorized by this sub-section have been transferred to the Fund with respect to any benefit check,

the provisions of paragraphs (3) and (4) of section 8348(k) of title 5, United States Code, as added by section 2(10)(B) of this Act, shall be applicable to such check.

Conforming Amendments To Other Laws

Sec. 6 (a) Section 221 (a) of the Central Intelligence Agency Retirement and Disability System, P. L. 88-643, as amended (50 U.S.C. 403 note), is amended by inserting "(1)" after "(a)" and adding the following new subsection:

"(2) An annuity computed under this section for an individual retiring under section 233 of this Act who is under age 60 on the date the annuity commences is reduced as follows--

Age of employee on October 1, 1985	Percentage reduction per year or part thereof, not in excess of 10 years, under age 60
50 or over	0.0
49	0.5
48	1.0
47	1.5
46	2.0
45	2.5
44	3.0
43	3.5
42	4.0
41	4.5
40 or under	5.0."

(b) Section 806(a) of the Foreign Service Act of 1980, as amended, (22 U.S.C. 4046(a)) is amended by inserting "(1)" after "(a)" and adding the following new subsection:

"(2) An annuity computed under this section for an individual retiring under sections 607(c), 608, 811 and 813 of this Act who is under age 60 on the date the annuity commences is reduced as follows:

Age of employee on October 1, 1985	Percentage reduction per year or part thereof, not in excess of 10 years, under age 60
50 or over	0.0
49	0.5
48	1.0
47	1.5
46	2.0
45	2.5
44	3.0
43	3.5
42	4.0
41	4.5
40 or under	5.0."

(c) The amendments made by this section shall take effect on the date of enactment of this Act.